

## INITIAL STATEMENT OF REASONS

**To Promulgate New Sections 2581.1, 2581.2, 2581.3, and 2581.4, Article 17.2 of Subchapter 3,  
Chapter 5, Title 10  
California Code of Regulations: Actuarial Confidentiality and Conflict of Interest**

### INTRODUCTION

Section 10236.12 of the California Insurance Code requires the Commissioner to promulgate regulations that would maintain confidentiality and avoid conflicts of interest by independent actuaries retained by the Department to review long-term care insurance rate filings.

### TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS OR DOCUMENTS

The Commissioner did not rely upon any special technical, theoretical, or empirical studies, reports or documents as a basis for proposing adoption of these regulations.

### ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON AFFECTED PRIVATE PERSONS OR SMALL BUSINESSES

No alternatives were considered which would be more effective in carrying out the purpose of the proposed regulations or would be as effective and less burdensome to affected private persons or small businesses than the proposed regulations.

### SECTION 2581.1 PURPOSE

*Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation Is Intended to Address*

Proposed section 2581.1 explains the purpose of proposed sections 2581.1, 2581.2, 2581.3, and 2581.4.

*Specific Purpose of the Regulation*

The purpose of proposed section 2581.1 is to comply with the mandate of California Insurance Code Section 10236.12. It will clarify the purpose of the regulations.

*Necessity*

Proposed section 2581.1 is necessary because it will clarify the purpose of sections 2581.2, 2581.3 and 2581.4.

### SECTION 2581.2: MAINTENANCE OF CONFIDENTIALITY

*Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation Is Intended to Address*

Section 10236.11 of the California Insurance Code requires that all policies for long-term care insurance be filed with, and approved by, the California Insurance Commissioner before such policies may be used in California. Section 10236.12 allows the Commissioner to contract with independent actuaries to review long-term care insurance rate filings if Department of Insurance actuaries do not have 5 years relevant experience in long-term care insurance industry pricing, or the Department does not have enough experienced actuaries to review the volume of long-term care insurance rate filings. Proposed Section 2581.2 will assure the confidentiality of information obtained in the course of examining long-term care insurance rate filings by these independent outside actuaries.

#### *Specific Purpose of the Regulation*

The purpose of proposed section 2581.2 is to comply with the mandate of California Insurance Code Section 10236.12.

#### *Necessity*

Proposed section 2581.2 is necessary because it is mandated by statute. It will ensure confidentiality by independent outside actuaries hired by the Department pursuant to California Insurance Code Section 10236.12.

### **SECTION 2581.3 AVOIDANCE OF CONFLICT OF INTEREST**

#### *Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation Is Intended to Address*

Section 10236.11 of the California Insurance Code requires that all policies for long-term care insurance be filed with, and approved by, the California Insurance Commissioner before such policies may be used in California. Section 10236.12 allows the Commissioner to contract with independent actuaries to review long-term care insurance rate filings if Department of Insurance actuaries do not have 5 years relevant experience in long-term care insurance industry pricing, or the Department does not have enough of such experienced actuaries to review the volume of long-term care insurance rate filings. Proposed Section 2581.3 will assure that these independent outside actuaries avoid conflicts of interest in the course of their review.

#### *Specific Purpose of the Regulation*

The purpose of proposed section 2581.3 is to comply with the mandate of California Insurance Code Section 10236.12.

#### *Necessity*

Proposed section 2581.3 is necessary because it is mandated by statute. It will ensure that independent actuaries hired by the Department pursuant to California Insurance Code Section 10236.12 will avoid conflicts of interest.

### **SECTION 2581.4: BILLING FOR ACTUARIAL SERVICES**

#### *Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation Is Intended to Address*

No specific guidance exists in the California Insurance Code for billing outside actuaries retained to review long-term care insurance rates. Proposed section 2581.4 would clarify the billing procedure for these actuaries' services.

### *Specific Purpose of the Regulation*

The purpose of proposed section 2581.4 is to comply with the mandate of California Insurance Code Section 10236.12. It will clarify the billing procedure for outside actuarial services

### *Necessity*

Proposed section 2581.3 is necessary because it will clarify billing procedure for outside actuarial review of long-term care insurance rates.